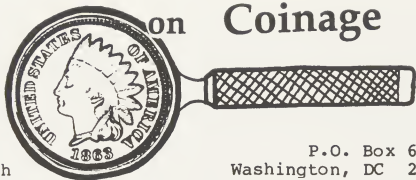
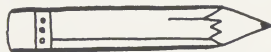


INSIGHT



on Coinage

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EDITORIAL

Summertime, and for many of us our numismatic pursuits take a backseat to our out-of-doors hobbies. We don't have the luxury of free time around here and are busy making changes to make this newsletter more professional looking. We've been told that we cannot improve the content so improve the presentation. How's that for a backhanded compliment? We hope to finish all the tinkering soon because we would rather sit at the pool and write while we "let Cynthia" do the rest! Then we can follow a more rigid production schedule.

We learned that Barry Cutler, Director of Consumer Affairs with the FTC enjoyed our recent comments about a self-regulatory organization (SRO) for coins. We will be doing an interview with Mr. Cutler soon to explore ways the hobby can protect J. Q. Public, the great mass of numismatic illiterates, from coin scams. Too many coin dealers are giving lip service to change without really doing anything. See ADVICE OR DISSENT - (Part Two) Technical versus Commercial Grading in this issue to learn how one of the country's oldest major dealers tried to scuttle the first third-party coin grading service with some behind-the-scenes pressure! Although this happened almost sixteen years ago, the tactics worked for a short time! The same kind of behind-the-scenes conflict exists today between those dealers out for the betterment of our hobby/industry and those out for themselves.

Swell'd head department: David Ganz asked us to write about newsletter publishing for the NLG Newsletter. The first rule of writing is to write about what you know (authentication & grading) not about things you don't know (publishing). BUT, the second rule of writing is to write about what the editor asks, so we gave it our best shot.

With continued support of subscribers and dealers, we are growing. Thanks to Coin World and Numismatic News for publishing our views and mentioning our Newsletter.

ADVICE OR DISSENT

The first part of this article was published in our April 1991 issue. We explained the birth and evolution of technical grading from a precise, in-house, proprietary method of grading used to help identify coins to its first use by a third-party grading service. We continue our look at technical versus commercial grading in this issue.

When ANACS was moved to Colorado, its former employees, except for one authenticator, stayed in Washington and established the INS Authentication Bureau. In effect, giving collectors and dealers another source for opinions about the authenticity of their coins. INS also decided to release its proprietary, "for internal record keeping only" grade opinions to those customers who asked for it. We kept the same detailed records about each coin as we had at ANACS including the coin's technical grade. Our grading opinion was given at no extra charge over the authentication fee and coins from all countries and ages were graded. Thus, the first third-party grading service was in operation using technical grading and stereomicroscopes.

Everything went smoothly for several months until... One day, we received a large group of mostly type III gold dollars of various dates. The coins were in the holders of a major auction house. They were all frosty gems with a slight amount of rubbing - what we would technically grade AU-58 today yet commercially grade MS-64 to MS-66! Back in the mid-1970's, there was no AU-58. Most coins which were technically graded AU-55 then are today's AU-58 but we'll explain that in a future article.

We authenticated the coins and returned them with a grade opinion (AU-55) as the customer requested. LOOK OUT! A few weeks later we received an extremely threatening letter from one of America's largest, oldest, most of everything ... dealers. Get the idea? This dealer is a real "certifiable" Ex-Pert! Unfortunately, the only thing we could say for sure about his auction company was that they couldn't grade Type III gold dollars very well! Basically, the letter said that we should stick to coin authentication and forget, no, NOT EVEN THINK about discussing coin grades with any living person or we would be sued so many times we would be walking around naked! The letter also stated that the dealer's customer bought the coins at auction where they were described as Choice Uncirculated, paid Choice Uncirculated prices, and deserved to be able to sell the coins as Choice Uncirculated since they were NEVER CIRCULATED! [We'll have more on this in the future] Needless to say, under threat of a major lawsuit from a major dealer with deep pockets, we stopped all grading except for our internal records! One final enigma. At the time we received the letter, the dealer who squashed our attempt to educate collectors about coin grading was one of the most outspoken supporters for collector education and an independent coin grading panel. Talk about behind-the-scenes manipulation!

Two parallel developments that took place in the months that followed would give this story a happy ending and remove the threat of legal action hanging over our authentication and grading service.

When the collector received his coins back with our grades of AU, he became very upset. He not only contacted the auction house (which led to the threat of legal action against us by the dealer); but he also sent his gold dollars to a very respected numismatist in California to see if we knew what we were doing when we graded the coins About Uncirculated! We found out about this later when the collector informed us that each of his coins was graded EXACTLY the same by the California numismatist. You can score one for technical grading! That's the way grading should be. Technical grading removes as many variables as possible to arrive at a basic grade unlike commercial grading which adds variables.

Luckily, a few months after we received the dealer's "little note", the ANA announced that ANACS was to begin grading some types of U.S. Coins for an extra charge in addition to their authentication fee. We couldn't understand why they charged for grading but we promptly did two things.

We started grading again for customers since we knew the dealer would not sue the ANA; and we started charging a fee for our grading opinions.

There were several differences in the way the two "new" grading services graded coins. Remember, we had used a "Modified-Sheldon System" for years before we left ANACS. The ANA disregarded most of our ideas and published the Official ANA Grading Standards for United States Coins while we continued to refine a proven system. The main differences occurred in the AU grade and in the upper-end of each grade range. For example, the commercial graders called the lower half of a grade range by its adjectival name - Extra Fine, and the upper half of the grade, Extra Fine plus. Very Fine and Very Fine +, VG and VG+, etc. were also used. The AU+ grade should never have been needed since originally the AU grade was used for coins in a very narrow segment at the borderline between EF and Uncirculated before the "plus" grades evolved. Still with us? By the time the ANA Grading Standards were published, About Unc had become a distinct grade stretching down into the old EF range!

The ANA Grading Guide took the mid-point of a grade category (the line dividing EF and EF+) and called the lower half "EF Typical" and the upper half "EF Choice". We felt this terminology would bring confusion to grading by using a QUALITATIVE word such as "Choice" to express a QUANTITATIVE value, the upper-end of a grade range for a coin with less wear. This went contrary to everything we had been doing and teaching for years. Simplicity and common sense led us to use "Choice" to denote a coin ANYWHERE within a grade range as long as it had virtually mark free surfaces! Anyone could visualize a "Choice" coin such as Choice EF-40. On the other hand, the EF-40 grade when used without the QUALITATIVE word "Choice" denoted a coin with marks and an amount of wear which left it in the lower EF grade.

As another refinement to help describe a coin's condition more precisely, we used the + designation to describe coins on the line between the next higher grade. Then, coins which a competent grader might call AU one time and EF the next (the real close "liners") would be graded EF+. In our technical grading system, used for internal records, this gave us the precision we needed for identification and also ended most grading arguments in the laboratory. In addition, anyone would be able to visualize what a plus (+) coin looked like. A borderline coin.

The differences in standards and sight-unseen coins became acute in the AU range. An INS AU-50 coin had more wear than an INS AU-55 coin yet both coins could be called "choice" if they had nice clean surfaces. With the ANA system you would not know if your AU Typical (50) coin was a moderately bagmarked coin with just enough wear to make it AU (today's AU-58) OR a virtually mark-free coin with so much wear that it almost dropped into the EF grade! Not a very precise system.

WE REMIND OUR READERS THAT WE ARE NOT ATTACKING THE ANA GRADING STANDARDS. WE MUST EXPLAIN THE DIFFERENCES BETWEEN THE TWO EARLY GRADING SERVICES SO LATER DIFFERENCES BETWEEN TECHNICAL AND COMMERCIAL GRADING WILL BE CLEAR.

In spite of differences between the two technical grading services, we continued to refine our grading descriptions. Our first attempt went over like a lead balloon. One day, we received a 1955 double die cent for grading and authentication. The coin cost the collector \$495 and was a blazing mint red gem. Its surfaces were mark free and rated our "choice" designation; however, the coin had a little rub on the obverse. We had to grade the coin Choice AU-55 (there was no AU-58 at the time) to be consis-

tent with our standards but we also felt the collector was due some form of explanation for our grading opinion. So when we returned the coin, we enclosed a note which informed him that: 1) This is the nicest 1955 double die we have ever seen. 2) Do not even attempt to locate a finer example. 3) The dealer who sold you this coin as a Choice Unc for \$495 has graded and priced the coin very fairly. 4) We regret that we have to grade the coin Choice AU-55 but we have very tough grading standards and your coin has a trace of wear. At that time, a famous dealer was using the term "Uncirculated with rub" so we tried to adopt it to our grading system to make everyone happy. It didn't make anyone happy and we had to listen to a lot of jokes about being half-pregnant (sorry ladies)!

Years later, MS numbers replaced adjectives for grading and a commercial grading service, NCI was founded offering what they called "real-world grading" to clients. This translated to COMMERCIAL grading. ANACS grading was more strict than NCI but we considered it to be commercially oriented yet with several of the attributes of technical grading which we discussed in part one (strike not important, etc.) Also remember this is the "old" ANACS in the late 1970's and early 1980's. Our grading was still too strict for the commercial market place. We were still calling coins AU with the same amount of rubbing as the 1955 double die. In order to remain competitive with the other two grading services (ANA & NCI); yet continue to have tight standards WHICH DID NOT CHANGE OVER THE YEARS, we were forced into a little market deception. We used the term "very slight rub" for those coins which were "technically" AU; yet would probably be graded Uncirculated by other grading services! Now, we could grade a coin which would have been our old "super-slider" AU-55 as Uncirculated, with v.slight rub. By using a microscope to grade, this distinction was easy for us to make and it allowed us to cater to commercial interests. At the same time, we alerted collectors that a particular coin was not Uncirculated by the strict definition. It also made a distinction for those coins which existed in full Mint State with no trace of friction wear!

The final major refinement to our grading came about as a number of cleaned coins and deceptively altered coins began to appear in the market. Although a majority of dealers along with the other grading services seemed to disregard the effects of cleaning in many cases, we added the adjective "hairlined" to our grades to alert the collector that under a microscope there was ample evidence of improper cleaning on the surface of his coin. To Be Continued ...

Q & A

We received a letter from W.C.J. in Takoma Park, MD with a suggestion about our color and toning article (see newsletter #3) for our readers to ponder:

"Perhaps the 'experts' (PERTS?) could be put at ease by classifying toning based on the relative time it took for the tone to occur on the coin. If the toning was caused by natural elements (those that any coin might be exposed to during its lifetime) it is still naturally toned albeit more quickly if left in the shop's California sun or in an area heated by gas. The only difference is how long it took for the toning to appear. Artificial would be those coins on which chemicals, not ordinarily associated with a coin's life, were applied to achieve a tone." This reader is thinking. Anyone wish to comment?

BETWEEN THE LINES

A recent question in Alan Herbert's April 30, 1991 Coin Clinic column which appears in Numismatic News, reminded us of a promise we made in Vol. 2 Number 2, to relate some of our embarrassing experiences in the coin business. Numismatics can often humble the best of experts. We like to relate this story to our students as a reminder for them to guard against becoming too self-assured or complacent about the amount of knowledge they possess. We have to laugh on the inside whenever we encounter one of numismatics "know-it-all" dealer Ex-Perts because we've been through that phase many years ago and still must be careful now!

A reader questioned the existence of a 1959 Lincoln cent with a wheat ear reverse which was authenticated by ANACS back in the 1970's. As most of you know, the design for the 1958 Lincoln cent had the head of the President on the obverse and a reverse with "one cent" flanked by two wheat ears. In 1959, the reverse design was changed to the present design with the Lincoln Memorial as the main device. In some coin series, during a design change, coins are issued with elements of the new design mixed with the old. In simple terms, these are called transitional coins when released into circulation in large numbers or patterns when only a few examples are made as models.

Now let's set the stage for the "inside" story on this particular coin. In the 1970's, there was only one authentication service, ANACS. We also graded coins for internal purposes but did not reveal our grade opinion (see ADVICE OR DISSENT, Part 1, Technical and Commercial Grading, Vol. 2 Number 3). We were Hot S--T back then. Collectors and dealers around the world sent coins to us for our opinion. We took our position very seriously and we were very good at what we did. You see, we had a group of consultants who would render their opinion on coins which were difficult or unfamiliar to us. In effect, by studying the opinions of our consultants, we learned from them. Soon, we began to rely more on our own knowledge as we needed them less and less!

NOTE: In an upcoming article on coin authentication we will expand on this relationship with our dealer/consultants and explain why we learned to rely more on ourselves!!

When we rendered an opinion on a coin and issued a certificate of authenticity, it had to pass the scrutiny of every dealer and collector who saw the coin after that. We made very few mistakes. In fact, there were numerous instances in which the numismatic community questioned our opinion and we were able to prove them wrong. It was a heady time for us, just the conditions which foster an attitude that leads to complacency and ERROR.

One day we received a "common" 1959 Lincoln cent in an unmarked holder at the authentication service laboratory. We took a look at it and asked the Director why any one would send a coin like this in to be authenticated as we passed it over for him to examine. We both had a good laugh. "Wonder what the bet is on this coin?" Coin dealers are a fun-loving bunch. They would bet hundreds of dollars on the grade of a two dollar coin; or send us a cardboard drawing of a non-existent coin with the motto "IN ANACS WE TRUST". You get the point. We didn't find anything unusual about the coin when we examined it. Who would counterfeit a 1959 Lincoln cent? We returned the coin to its owner with a Photo-Certificate as a genuine 1959 Lincoln cent. All was forgotten, until...

A reporter from Georgia called the Director about a story he was doing on a coin we had certified. "You folks see a lot of these coins", he asked? We assured him we did and suggested that he go to his bank and purchase a roll or two at just fifty cents each. Chuckle, Chuckle. He replied, "We just have not seen any 1959 ONE CENTS WITH THE WHEAT EAR REVERSE LIKE 1958 down here yet. Maybe they were only released up North where you-all are." GULP!? Talk about a humbling experience - talk your way out of this one. We didn't tell the reporter that we had been looking so closely at the coin to find out what was wrong with it and why it was sent in that our brains failed to connect the two sides of the coin! We never noticed it was a transitional coin of which no record existed as far as we knew.

While the Director talked with the reporter, we grabbed for our records on the coin. There it was. A 1959 Transitional cent had been sent in from a collector in Georgia. A frantic hand-waved message cut the conversation with the reporter short and we began to develop a strategy to have the coin returned for a re-examination. How could we have missed an obviously altered coin? Time dragged until the reluctant owner returned his coin for re-exam.

Within seconds of seeing the coin again, we were both relieved and perplexed. This was no ordinary alteration. There were no seams to indicate that two coins had been put together! There was no evidence of alteration - the coin looked to be 100% genuine! Now for some detective work. The Mint had not produced this variety; yet we could not find anything wrong with the coin. Its weight, size, and specific gravity were within tolerance. We were stumped and needed help. It took a detailed examination with an optical-comparator microscope to solve the riddle of the 1959 cent. By comparing the shape and position of the date numerals on the obverse, with several normal 1959 Lincoln Memorial type cents, we discovered that the coin was not genuine.

All of the coins should have matched if they were genuine because the first three date figures were on the master die. The final 9 was added to the master die by the chief engraver. At the time, this was the finest counterfeit cent we had seen. NONE of the usual characteristics of counterfeits were present on the coin! Still our smug attitude had caused us to miss the more basic mismatch of design types on the coin. We sent the coin back as a fake but the owner refused to return the Certificate.

Yes Virginia, there is a 1959 Transitional cent out there somewhere and we helped authenticate it!

MARKET NOTES

A conversation we had with a dealer at a recent coin show during the sale of one of our coins reassured us that the coin business had not changed much over the years since we were behind a counter buying coins.

We had a coin in a third-party grading service slab which several dealers had suggested that we try to have up-graded. The coin was a solid MS-64++, PQ, bulla-bulla, hype-hype coin. The bid on the coin in MS-64 was about \$200 while the MS-65 bid was close to \$1800. The dealer picked this coin from a group we were offering and finally made an offer when it was clear we were not going to set a price. His offer was for \$200. We were in an irritable mood so we asked him if he ever read the bluesheet? The dealer asked if we were trying to be funny. He had just used that "price guide" to arrive at his offer. He told us he had been subscribing to the

bluesheet ever since it was first published. We still wanted to know if he ever read the bluesheet because he would have read that it is a guide for sight-unseen (often low-ball) bids and in many cases sight-seen coins at the high end of a grade may be worth much more! We sold our coin to another dealer for more money.

What is the lesson in all this? The dealer didn't do anything dishonest. He is a businessman trying to purchase inventory at a reasonable price. The lesson is for the investor. Never try to sell a coin when you cannot afford to hold out for a reasonable offer! Also, you may wish to attend a large coin show where there will be many dealers in competition for your coins (if you have made prudent and knowledgeable purchases).

One of our subscribers: K.T., of Riverside, CA sent a page from the April 15, 1991 issue of Autoweek. At the end of an article about investing in automobiles by Michael Scott (wish we had room to print the whole article), the author writes: "But the most important thing is to buy a collector car because you want it. Because it says something special to you. And not because it's a good investment. Or because some club (remember what Groucho said about them) certifies it. If you like it, so will someone else when the time comes to sell. If you want to make a killing, go big game hunting. With a camera. We're about fun, and celebrating man's finer moments; what we've created with iron ore and petroleum.

Meanwhile, faithful reader, don't buy the hype. Buy the car. And enjoy it."

If we substitute gold, copper, and silver for petroleum and iron ore and change the word "car" to "coin", we can see how small the world of collectables is! Michael Scott has good advice for us all.

Truth in advertising ... We just finished reading this month's group of coin newspapers and magazines with an eye out for the kinds of ads which companies use so we can also start advertising this newsletter and our correspondence course. We must be naive because we were amazed at the kind of ads collectors and investors are subjected to. Remember, we want you to be critical about what you see in print. Some examples:

* Newly Discovered Treasures ... C.S.A. Bonds! These "newly discovered" bonds have been a glut on the market for years. They are attractive and historical, even inexpensive; but not newly discovered.

* [Name of Company] ... rated "A" for grading accuracy. BY WHOM?

* How about this one. [Dealers Name]... the first name in numismatics since 1961! WOW, that long? A real oldtimer.

* BU silver dollars, for only \$\$\$\$ each ... This ad comes with a photo of a beautiful MS-67+ "gem" dollar; but that's not what YOU get!

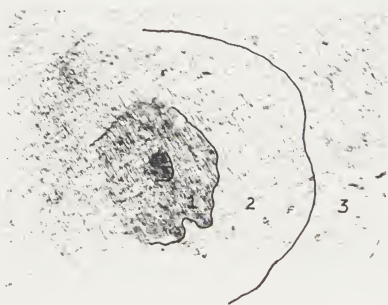
* Finally, how about ... "a free proof coin (date their choice) with orders over \$50". Let's see, the last time we were in our local coin shop, we saw real "gem" proof coins from broken-up sets for as little as fifty cents each. We're sure you've heard that there is no Santa Claus in numismatics; yet with a little knowledge, you may be able to walk into this dealer's shop and cherry-pick a double die proof coin! Thank You, Santa.

BACK TO BASICS

The photo below shows a carbon spot developing on a silver coin in a slab. The photo was taken at 40X so the spot is not as big as it appears but it is GROWING. Hopefully, you will be able to see two different "reaction rings" around the dark center spot where most of the serious corrosion has occurred. We have outlined a part of the rings at the right to show the irregular target pattern they form. In the center, a contaminant has eaten into the coin's surface making a microscopic pit which is filled with black silver oxide. The next ring out (1) is lighter than the center and there is another lighter ring of oxidation (2) around that until we reach the untuned surface (3) beyond.

If we were to "dip" this coin to remove the spot, the two outer rings would disappear without a trace (more on this in another article); but the center would turn into a greyish-white, microscopic pit.

Carbon spot developing
on encapsulated third-
party graded coin.



COMING UP

Next month we'll have photo's of a dangerous alteration we've seen recently on two Greek bronzes. We broke the story in Numismatic News and Coin World to alert collectors and dealers; but readers of Insight will be the first to see the photo's when they are ready.

We have another Coin Grading Seminar scheduled for July 6/7 at M.I.T. in Cambridge. Call the Institute if you wish to attend because time is short and space is limited.

We should have the review of the ANA Mini-Seminar finished by next month and we are reading a new book by Don Pearlman for review.

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